

INITIAL THOUGHTS ON STATE MATCHING FUNDS FOR LOCAL PURCHASE OF DEVELOPMENT RIGHTS (PDR) PROGRAMS

The following are some initial thoughts regarding the process for certifying local Purchase of Development Rights (PDR) programs, and the establishment of an allocation formula for state matching funds for these certified local programs. These ideas were first drafted by a small working group assembled by the Office of Farmland Preservation in response to questions from Senate Finance Committee staff. These ideas were then reviewed by the Statewide Farmland Preservation Task Force on March 5, 2007, and the local PDR managers group on March 23, 2007.

- **Certification requirements-** The annual certification process will include two components: 1) certification of the local program elements based on the model elements in *A Model Purchase of Development Rights (PDR) Program for Virginia*; and 2) certification of the amount of matching funds that the locality will provide for that fiscal year. The certification application will require the locality to describe how their program addresses/matches the elements established in the model PDR program. The certification application also will require the appropriate fiscal agency for the locality to certify the amount and availability of matching funds. These certification applications would then be reviewed by the Office of Farmland Preservation, with the members of the Statewide Farmland Preservation Task Force serving as advisors when needed.

The deadline for local programs to submit both parts of their applications for certification is July 1 of each year. For the first year of the program, the deadline for submitting an application for certification of the local program elements will be extended to Friday, August 31, 2007. The deadline for submitting the amount of local matching funds will still be July 1, 2007.

- **Fund distribution formula-** Once it has been determined which localities will be certified for the fiscal year, the Office of Farmland Preservation will divide the total amount of state matching funds available for that year by the number of localities that have a certified program for that year. For example, given the budget amendment funding of \$4.25 million for FY 2006- 2008 approved by the General Assembly, and assuming that all 14 of the current local programs become certified, that would equate to \$4.25 million/14 or \$303,571 that would be reserved for each local program in FY 2008. (Note: while budgeted for two fiscal years, the Office of Farmland Preservation plans to use all of these funds in FY 2008.)

These funds would be available to localities only to the extent that they provide an equal match with local funds. Therefore, those local jurisdictions that demonstrate they can match the amount allocated to each local program (so \$303,571 in the FY 2008 example) will be able to retain their allocation of state funds. Those that cannot demonstrate the match, or only can demonstrate a part of it, will be allocated the amount that they can match. The remainder of the funds that have not been matched by each local program would then be divided again in a second round by the number

of programs that can provide a match greater than the per program average in the first round. Should funds remain unallocated at the end of the second round, a third round would be conducted.

Local programs will have two fiscal years to draw down the allocated funds. All funds that have not been used by this time will be added to the funds for the fiscal year following the year by which they needed to be spent. Localities will be able to submit a request to draw down the funds allocated to them once they have closed on the easement. The request for drawing down the allocated state funds will be limited to 50 percent of the purchase price of the easement. (Note: The Office of Farmland Preservation will work to further refine this in the case of Installment Purchase Agreements.) It is expected that some localities may not have enough funds to actually go to closing without state funds in hand. Therefore, the Office of Farmland Preservation may need to allow for the funds to be used at closing by these programs.

In terms of allowable local matching funds, The Office of Farmland Preservation also will include non-profit contributions, private donations, and federal funds such as those from the Federal Farm and Ranch Land Protection Program (FRPP), to the extent that the use of these funds does not eliminate the need for a local contribution to the project. Local matching funds should not include funds contributed by other state agencies/programs, nor any possible bargain sales from landowners.

For certification applications and additional information, please contact:

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